

BENZIE CONSERVATION DISTRICT

BENZIE COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Benzie Conservation District	County Benzie
Audit Date 9/30/04	Opinion Date 1/26/05	Date Accountant Report Submitted to State: 4/26/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

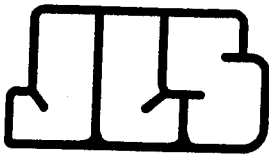
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) J L Stephan Co, PC			
Street Address 862 E. Eighth St.		City Traverse City	State MI
Accountant Signature <i>J L Stephan CPA</i>		ZIP 49684	Date 4/26/05

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FINANCIAL SECTION



J L Stephan Co PC
Certified Public Accountants

Jerry L. Stephan, CPA

Marty Szasz, CPA
David Skibowski, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

Benzie Conservation District
P.O. Box 408
Beulah, MI 49617

We have audited the accompanying financial statements of the governmental activities of the Benzie Conservation District as of and for the year ended September 30, 2004 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Management Discussion and Analysis (MD&A) is a required element of the GASB 34 reporting format. The District has elected not to include it as part the financial statements.

In our opinion, except for the exclusion of the MD&A discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of September 30, 2004 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1, the District has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of September 30, 2004.

The budgetary comparison information on page 11-13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

J L Stephan Co PC

January 26, 2005

Benzie Conservation District
Governmental Funds Balance Sheet/Statement of Net Assets
September 30, 2004

Exhibit A

	<i>General Fund Modified Accrual Basis</i>	<i>Adjustments</i>	<i>Statement of Net Assets</i>
Assets			
Cash in Bank	\$ 26,889	\$ -	\$ 26,889
Fidelity Fund	22,822	-	22,822
Receivables	22,380		22,380
General Fixed Assets	-	146,754	146,754
Total Assets	<u>\$ 72,091</u>	<u>\$ 146,754</u>	<u>\$ 218,845</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 127	\$ -	\$ 127
Payroll Liabilities	6,956	-	6,956
Mortgage Payable - current	-	3,275	3,275
Total Current Liabilities	7,083	3,275	10,358
Long-Term Liabilities			
Mortgage Payable - HSB	-	73,900	73,900
Mortgage Payable - current	-	(3,275)	(3,275)
Total Long-Term Liabilities	-	70,625	70,625
Total Liabilities	<u>7,083</u>	<u>73,900</u>	<u>80,983</u>
Fund Balance/Net Assets			
Fund Balance - Designated	45,000	(45,000)	-
Fund Balance - Undesignated	20,008	(20,008)	-
Total Fund Equity	<u>65,008</u>	<u>(65,008)</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>\$ 72,091</u>		
Net Assets			
Invested in Capital Assets - Net of Debt		72,854	72,854
Restricted		45,000	45,000
Unrestricted		20,008	20,008
Total Net Assets		<u>\$ 137,862</u>	<u>\$ 137,862</u>

See Accompanying Notes to Financial Statements

Benzie Conservation District
*Statement of Governmental Fund Revenue, Expenditures,
and Changes in Fund Balance/Statement of Activities
For the Year Ended September 30, 2004*

Exhibit B

	<i>General Fund</i>		
	<i>Modified</i>		<i>Statement</i>
	<i>Accrual Basis</i>	<i>Adjustments</i>	<i>of Activities</i>
<i>Revenues</i>			
Federal Grants	\$ 140,757	\$ -	\$ 140,757
State Grants	48,781	-	48,781
Local Contributions	3,470	-	3,470
Tree Sales	12,688	-	12,688
Other Sales	7,136	-	7,136
Rents	2,400	-	2,400
Interest	192	-	192
Contributions & Donations	2,471	-	2,471
Refunds & Reimbursements	1,155	-	1,155
Other Revenues	20	-	20
<i>Total Revenue</i>	219,070	-	219,070
<i>Expenditures</i>			
General Operations	52,569	-	52,569
Forestry	25,010	-	25,010
Platte River Project - 2002-0038	108,848	-	108,848
Herring Lake Project - 2000-0195	22,042	-	22,042
Herring Lake Project - 2003-0044	2,232	-	2,232
Other Expenditures			
Depreciation		3,252	3,252
Mortgage Interest		4,905	4,905
Mortgage Pyments Recorded Above		(8,272)	(8,272)
<i>Total Expenditures</i>	210,701	(115)	210,586
<i>Excess Revenues Over (Under) Expenditures</i>	8,369	115	8,484
<i>Other Financing Sources (Uses)</i>	-	-	-
<i>Excess Revenue & Other Sources Over (Under) Expenditures & Other Uses</i>	8,369	115	8,484
<i>Fund Balance - Beginning of Year</i>	56,639	72,739	129,378
<i>Fund Balance - End of Year</i>	\$ 65,008	\$ 72,854	\$ 137,862

See Accompanying Notes to Financial Statements

Benzie Conservation District
Notes to Financial Statements
For the Year Ended September 30, 2004

Note 1 – Summary of Significant Accounting Policies

The financial statements of Benzie Conservation District have been prepared in conformity with the modified cash basis of accounting as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Effective July 1, 2003, the District adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in these statements include the following:

- Depreciation on capital assets of the District.
- Financial statements using the accrual basis of accounting for all the District's activities as adjusted for capital assets and depreciation.

A. Reporting Entity

Benzie Conservation District is a conservation district created in accordance with Michigan State statutes. The District is governed by a volunteer District board whose members are elected for four year terms at the annual meeting in accordance with State statutes.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability.

The District operates as an autonomous agency completely separate from Benzie County and the State of Michigan. On this basis, accordingly, the financial statements of the District have not been included in the financial statements of any other organizations.

B. Government –Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Benzie Conservation District
Notes to Financial Statements
For the Year Ended September 30, 2004

Note 1 – Summary of Significant Accounting Policies – continued

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The local unit reports the following major governmental fund:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from federal and state distributions, tree sales and contributions from other local governmental units.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets – capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$400 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Benzie Conservation District
Notes to Financial Statements
For the Year Ended September 30, 2004

Note 1 – Summary of Significant Accounting Policies – continued

Depreciation has been provided on these fixed assets using the straight line method over there estimated useful lives.

Equipment and Improvements	10 - 15 Years
Building	39 Years

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Stewardship, Compliance and Accountability

A. Budgets

The General Fund is under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the District.

In the body of the combined financial statements, the District's budgeted expenditures for the budgetary funds have been shown on a program or activity basis. The budget of the District did not specify the level adopted at, but is treated as being adopted at the activity level.

The District participates in various projects funded by State grants that are funded with Federal Funding. The projects begin and end on dates different from the District's fiscal year and, in some cases, the projects run for multiple years. The District does not prepare yearly budgets for these projects. However, all disbursements related to the projects are approved and reimbursed by the State with federal funds.

Encumbrance accounting is not used and appropriations normally lapse at year end.

B. Budget Compliance

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall adopt an annual budget and not incur expenditures in excess of the amount appropriated. For the year ended September 30, 2004, a budget was prepared and approved for general operations and forestry. There were no expenditures in excess of appropriations for these activities.

The District did not specify the expenditure level at which the budget was adopted.

Benzie Conservation District
Notes to Financial Statements
For the Year Ended September 30, 2004

Note 2 – Stewardship, Compliance and Accountability - continued

As noted above, the District participates in various projects funded by State grants. These projects occur over periods differing from the District's fiscal year. The following is a summary of projects for which the District incurred expenditures for the year ended September 30, 2004:

Herring Lakes Watershed Planning Project #2000-0195 – October 31, 2001 to October 30, 2003
– The final payment on this grant was received March 10, 2004. This project is closed.

Total Grant Amount	\$161,552
Less: Prior Period Expenditures	137,719
Current Period Expenditures	<u>22,042</u>
Unexpended Grant – Funds not received	<u>\$ 1,791</u>

Platte River Watershed Implementation Project #2002-0038 – July 15, 2002 to July 14, 2005

Total Grant Amount	\$247,103
Less: Prior Period Expenditures	101,539
Current Period Expenditures	<u>108,248</u>
Grant Remaining	<u>\$ 37,316</u>

Herring Lakes Transition/Implementation I #2003-0044 – August 15, 2004 to September 30, 2005

Total Grant Amount	\$ 85,868
Less: Prior Period Expenditures	-
Current Period Expenditures	<u>2,232</u>
Grant Remaining	<u>\$ 83,636</u>

C. Investment Policy

P.A. Act 196 of 1997 requires local units to adopt an investment policy and provide a copy of this policy to all financial institutions used by the unit. An investment policy has been adopted by the District Board.

D. Concentration of Risk

The majority of the District's revenues come from grants coming through the State of Michigan Department of Agriculture and Department of Environmental Quality. Loss of these grants would be detrimental to the ability of the organization to continue as a going concern.

Benzie Conservation District
Notes to Financial Statements
For the Year Ended September 30, 2004

Note 4 - Deposits with Financial Institutions

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by act No. 217, Public Acts of 1982 and Public Act 196 of 1997, states the local unit, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- a. In bonds and other direct obligations of the United State or an agency or instrumentality of the United States.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
- c. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
- d. In United States government or Federal agency obligation repurchase agreements.
- e. In banker's acceptances of United States banks.
- f. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The District maintains all its surplus cash with a local bank in the form of savings/checking accounts and certificates of deposit. Interpreting the FDIC insurance coverage of \$100,000 per deposit to apply to the total savings/time deposits separately from checking/demand deposits for purposes of applying the \$100,000 limit, the bank balances as of September 30, 2004 appear to be completely FDIC insured.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. The categories are described as follows:

- Category 1 Insured, registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counter party, or its trust department or agent but not in the District's name.

Benzie Conservation District
Notes to Financial Statements
For the Year Ended September 30, 2004

Note 4 - Deposits with Financial Institutions - continued

	Category			Fair Value/ Carrying Amount	Cost
	1	2	3		
Fidelity Cash Reserves	\$ -	\$ 22,822	\$ -	\$ 22,822	\$ 22,822
Total	\$ -	\$ 22,822	\$ -	\$ 22,822	\$ 22,822

Note 5 - Changes in Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 7,641	\$ -	\$ -	\$ 7,641
Building	94,202	-	-	94,202
Land	55,411	-	-	55,411
Bldg. Improvements	<u>2,200</u>	<u>-</u>	<u>-</u>	<u>2,200</u>
Total Cost	159,454	-	-	159,454
Less: Accumulated Depreciation	<u>9,448</u>	<u>3,252</u>		<u>12,700</u>
Net Book Value	<u>\$ 150,005</u>	<u>\$ 3,252</u>	<u>\$ -</u>	<u>\$ 146,754</u>

Note 6 - Long-Term Debt

The District has a 20 year mortgage payable to Honor State bank secured by the District's office building. This loan requires monthly payments of \$689 which includes an initial rate of 7.9% annual interest. In 2003 the rate was reduced to 6.9% annual interest.

The following is a summary of transactions for the year ended September 30, 2004:

Building Mortgage

Beginning Balance	\$ 77,267
New Borrowing	-
Principal Paid	<u>3,367</u>
Ending Balance	<u>\$ 73,900</u>

Benzie Conservation District
Notes to Financial Statements
For the Year Ended September 30, 2004

Note 6 - Long-Term Debt - continued

Amount required to amortize long-term debt at year end:

2005	\$ 8,271
2006	8,271
2007	8,271
2008	8,271
2009	8,271
2010-2018	<u>73,855</u>
Total Payments	115,210
Less Interest	<u>(41,310)</u>
	<u>\$ 73,900</u>

Note 7 - Risk Management

The District carries insurance coverage through Michigan Insurance Company for liability, property, crime and employee dishonesty. The District also carries workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL DATA SECTION

Benzie Conservation District

Budgetary Comparison Schedule

General Fund

Year Ended September 30, 2004

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
Beginning Fund Balance	\$ 56,639	\$ 56,639	\$ 56,639	\$ -
<i>Revenues</i>				
Federal Grants	140,757	140,757	140,757	-
State Grants	47,500	47,500	48,781	1,281
Local Contributions	-	-	3,470	3,470
Tree Sales	13,300	13,300	12,688	(612)
Other Sales	8,400	8,400	7,136	(1,264)
Rents	2,400	2,400	2,400	-
Interest	250	250	192	(58)
Contributions & Donations	2,000	2,000	2,471	471
Refunds & Reimbursements	-	-	1,155	1,155
Other Revenues	100	100	20	(80)
Total Revenues	214,707	214,707	219,070	4,363
Amount available	271,346	271,346	275,709	4,363
<i>Expenditures</i>				
General Operations				
Payroll Expenses			30,988	
Mortgage			3,104	
Office Expense & Utilities			3,257	
Accounting & Audit			867	
Dues & Subscriptions			273	
Tree Sale Costs			10,998	
Books & Maps			1,031	
Education & Outreach			261	
Meetings & Travel			730	
Building Maintenance			115	
Insurances			186	
Arbor Day			555	
Other Expenditures			204	
	52,747	52,747	52,569	178
Forestry				
Payroll Expenses			18,893	
Mortgage			1,950	
Office Expense & Utilities			2,518	
Dues & Subscriptions			7	
Printing & Binding			2	

See Accompanying Notes to Financial Statements

Benzie Conservation District

Budgetary Comparison Schedule

General Fund

Year Ended September 30, 2004

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
Forestry - continued				
Education & Outreach			68	
Meetings & Travel			963	
Building Maintenance			28	
Insurances			186	
Emerald Ash Borer			374	
Other Expenditures			21	
	<u>27,500</u>	<u>27,500</u>	<u>25,010</u>	<u>2,490</u>
Platte River Project - 2002-0038				
Payroll Expenses			47,432	
Employee Benefits			9,205	
Mortgage			2,414	
Office Expense & Utilities			3,132	
Dues & Subscriptions			274	
Printing & Binding			67	
Books & Maps			70	
Consultant			28,594	
Education & Outreach			3,342	
Meetings & Travel			1,140	
Building Maintenance			49	
Insurances			186	
Land Protection			12,842	
Other Expenditures			101	
	<u>108,848</u>	<u>108,848</u>	<u>108,848</u>	<u>-</u>
Herring Lake Project - 2000-0195				
Payroll Expenses			7,712	
Employee Benefits			2,796	
Mortgage			632	
Office Expense & Utilities			1,208	
Dues & Subscriptions			273	
Printing & Binding			334	
Education & Outreach			554	
Meetings & Travel			1,063	
Building Maintenance			19	
Water Monitoring			6,629	
Land Use Planning			807	
Other Expenditures			15	
	<u>22,042</u>	<u>22,042</u>	<u>22,042</u>	<u>-</u>

See Accompanying Notes to Financial Statements

Benzie Conservation District*Budgetary Comparison Schedule**General Fund**Year Ended September 30, 2004*

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
Herring Lake Project - 2003-0044				
Payroll Expenses			1,694	
Employee Benefits			-	
Mortgage			172	
Office Expense & Utilities			-	
Dues & Subscriptions			-	
Printing & Binding			-	
Education & Outreach			255	
Meetings & Travel			111	
Other Expenditures			-	
	<u>2,232</u>	<u>2,232</u>	<u>2,232</u>	<u>-</u>
Total Expenditures	<u>213,369</u>	<u>213,369</u>	<u>210,701</u>	<u>2,668</u>
Excess Revenues (Expenditures)	1,338	1,338	8,369	7,031
Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess Revenue & Other Sources Over (Under) Expenditures & Other Uses</i>	1,338	1,338	8,369	7,031
Fund Balance - Beginning of Year	<u>56,639</u>	<u>56,639</u>	<u>56,639</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 57,977</u>	<u>\$ 57,977</u>	<u>\$ 65,008</u>	<u>\$ 7,031</u>

See Accompanying Notes to Financial Statements

OTHER INFORMATION (UNAUDITED)

Benzie Conservation District

Comments and Recommendations

We have audited the financial statements of the Benzie Conservation District for the year ended September 30, 2004 and issued our report thereon dated January 26, 2005. As part of our audit, we studied and evaluated the district's internal control structure. Because the study and evaluation were only part of the overall audit plan regarding the financial statements, our study was more limited than would be necessary to express an opinion on the system of internal control taken as a whole. Accordingly, we do not express an opinion on the system of internal control of the District taken as a whole. As the result of our audit, we deem it necessary to make the following comments and recommendations.

Opening Comments

The records of the District were maintained in good condition by your executive director. We recognize that your Board and Treasurer are all volunteers and we commend them for their efforts to manage the District and oversee the accounting system. As part of a continuing effort to enhance internal control and improve the accounting system, financial reporting, and overall management, we offer the following comments and recommendations for your consideration.

Reportable Conditions

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Uniform Chart of Accounts

We noted the District adopted, in part, the uniform chart of accounts recommended by the State. However, the disbursements section should be organized by cost center following the structure outlined in the state's uniform chart of accounts. We recommend using a six digit account mask such as xxx - yyy where "xxx" represents an activity and "yyy" represents the detail for the activity. In the District's case, example activities are; General Operations, Forestry, Herring Lake Projects and Platte River Project.

Budgeting Procedures

Board minutes reflect approval of the annual budget. However, the minutes did not note budgeted revenues or expenditures and at what level the expenditures were adopted. We recommend the resolution adopting the budget indicate the level at which the budget is adopted. The board minutes should also reference the total budgeted revenues and expenditures or have a copy of the adopted budget attached. An annual budget should be adopted for all activities, programs or cost centers, not just the general operating portion. In addition, any budget amendments should be approved by the board and noted on the director's budget work copy in order to reconcile to ending budgeted amounts.

Benzie Conservation District

Comments and Recommendations

Accounting Procedures Manual

We strongly recommend reviewing the *Michigan Conservation District Uniform Accounting Procedures Manual* for guidance in regards to account masking, budgeting and other procedures.

Closing Comments

We will be happy to discuss any of these recommendations with you and assist you in their implementation. As a matter of course, we will forward the required copies of these financial statements to the Michigan Department of Treasury. We further appreciate the courtesy extended our field auditors in the conduct of this audit engagement. Should any questions arise on these statements or the conduct of our audit, please call upon us.